GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:2503
ANSWERED ON:14.12.2015
Royalty and Cess on Crude Oil/Gas
Shirole Shri Anil

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the details of revenue earned by the Government on account of royalty and cess on production of crude oil and natural gas during the last three years and the current year, State/Company-wise;
(b) whether the upstream, companies including Oil and Natural Gas Corporation Limited (ONGC) unilaterally pays the royalty to the States on post-discounted prices;
(c) if so, the details thereof along with the reasons therefor, State/UT/Company-wise;
(d) whether the rates of royalty being paid to the States are based on the Wellhead price on crude oil production and if so, the details thereof;
(e) whether certain States including Gujarat have represented to the Government for payment of royalty as per pre-discounted prices; and
(f) if so, the details thereof alongwith follow-up action taken by the Government and the outcome thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (INDEPENDENT CHARGE)
(SHRI DHARMENDRA PRADHAN)
(a): The details of royalty paid on crude oil/natural gas produced by Oil and Natural Gas Corporation Limited(ONGC), Oil India Limited(OIL) and Private/Joint Venture Companies to the State Governments during the last three years as well as cess payment on crude oil production to the Central Government are given at Annexure-I.
(b) and (c): In view of Government of India's directives, vide letter dated 30th October, 2003, since 2003-04, ONGC has been allowing discount to Oil Marketing Companies (OMCs) on sale of crude oil. In the above letter, ONGC was directed that the revenues of State Governments in terms of royalty on crude oil should not be affected by the discount. In view of specific directive, since April. 2003, ONGC has paid royalty on production of onshore crude to State Governments on pre-discount sale price though royalty on production of offshore crude oil to the Government of India was paid at post-discount sale price, in line with statutory provisions.
Subsequently, Ministry of Petroleum & Natural Gas vide letter No.P-20012/28/97-pp(Part-II-A) dated 23 May, 2008, withdrew the earlier directives issued vide letter dated 30th October, 2003. Consequently, ONGC and OIL have been making payment of royalty to State Governments on post discount price from 01st April, 2008.
(d): Royalty on crude oil to the Central and State Government is paid at the rates specified in the Schedule to The Oilfields (Regulation and Development) Act, 1948 on the well head price. The current rate of royalty is given at Annexure-II.
(e) and (f): The State Governments of Gujarat and Assam have represented to the Government of India on the issue of payment of royalty. After examination, Government of Gujarat was informed on 07.07.2009 that, in respect of offshore crude oil, the Royalty paid by upstream companies to the Central Government has always been on the basis of post-discount prices. There is nothing in the legal provisions to suggest that payment of onshore Royalty to State Governments should be on a different principle.
Government of Gujarat had filed a Special Civil Application in the High Court of Gujarat, Ahmedabad for payment of royalty at pre-discount prices. Hon'ble Gujarat High Court, vide its order dated 30th November, 2013 decided that royalty on crude oil is to be paid on pre-discount price and directed ONGC to make the payment towards shortfall royalty for the period April, 2008 till date, within a period of two months from the date of issue of order.
Aggrieved by the order, ONGC filed a Special Leave Petition(SLP) before the Supreme Court of India. The Supreme Court heard the matter on 13th February, 2014 and granted leave in the matter. Pending further orders, the Hon'ble Court stayed the operation of the impugned judgment subject to the condition that ONGC pays royalty to State of Gujarat on pre-discounted price of crude oil w.e.f. 1st February, 2014 onwards. In compliance of court order, ONGC has started paying royalty to Govt. of Gujarat on pre-discount price w.e.f. February, 2014.
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